

South Korean Joint Venture Update



Shares on Issue: 49.15m

Share Price: \$0.19

Market Capitalisation: \$9.5m

Asset Base – WA, Australia

Cannon Gold Mine (100%)

Glandore Gold Project (75%*)

Cowarna Gold Project (100%)

Transfind South (Option)

*currently earning 90%

Asset Base – South Korea

Gubong Project (50%/50% BMV)

Taechang Project (100%*/BMV)

Kochang Project (100%*/BMV)

Weolyu Au-Ag Project (100%)

Hampyeong Au-Ag Project (100%)

Aphae Au-Ag Project (100%)

Deokon Au-Ag Project (100%)

Beopseongpo Au Project (100%)

Neungju Au-Ag Project (100%)

Sonbul Au-Ag Project (100%)

*Currently under BMV farm-in

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Highlights

- Pre-development activity at the Gubong gold mine to increase over next 4-5 months including permit and approvals process.
- Formation of operating company nearing completion and key personnel appointed to the Joint Venture.
- Report on the feasibility of re-starting mining at the Kochang Project expected late October 2018.

Overview

Australian gold explorer Southern Gold Ltd (“Southern Gold”) advises that its development partner in South Korea, London Stock Exchange listed Bluebird Merchant Ventures Ltd (“Bluebird”), continues to make good progress at both the Gubong and Kochang gold projects in South Korea.

Bluebird completed the report on the feasibility of reopening the Gubong Project in late July (ASX: 1st Aug 2018 – BMV Report on Feasibility, Gubong Gold Mine, South Korea), as part of its final requirement to the commencement of the Joint Venture. Bluebird are the operators of the Joint Venture with equity interests being 50% each and future costs shared on that basis.

The Joint Venture will now advance the Gubong Mine by the engagement of all stakeholders over the next 4-5 months with necessary approvals obtained within this period, including the grant of a ‘Permit to Develop’.

Bluebird is also anticipating completing the pre-conditions for the formation of the Kochang Joint Venture by the end of October. Metallurgical test work is currently being undertaken with results and a subsequent report on the feasibility of re-starting gold mining at Kochang submitted to Southern Gold by the end of October.

Southern Gold Managing Director, Mr. Simon Mitchell: *“We are very pleased with the progress being made by Bluebird and, with the increased activity levels at Gubong over the coming year, we should see the first major new gold mine open in South Korea in over 15 years. Bluebird brings extensive experience and management expertise to these projects and once through the permitting phase we anticipate Gubong will develop rapidly as dewatering progresses.”*

“At Kochang we anticipate the formation of the second Joint Venture to be completed in October and a second potential mining front to advance in 2019. I see the Kochang project as potentially complimenting the development proposal at Gubong rather than competing with it and there is a lot of information being extracted from each project that is applicable in our understanding of the other.”

“With first gold pour by the end of next year I think the Joint Venture will surprise investors with the speed of these developments.”

Project Developments

Bluebird expect physical activity to ramp up during this pre-development phase with the emphasis of opening new areas of the Gubong Mine over the December quarter. Suitable sites will also be evaluated for the positioning of the process plant and other infrastructure in consultation with the community.

Bluebird is targeting the commencement of gold production in the December quarter of 2019 with gold production levels progressively increasing over a 5-year period. Estimated capital costs are significantly lower because most of the development infrastructure is already in place and only requires progressive dewatering as the mine reactivates from the top down. Current early capital cost estimates suggest a total of less than US\$5 million (on a 100% basis) is required to bring Gubong into production.

At Kochang, significant channel sampling and easy access to the old workings have advanced the project more quickly than Gubong but development timeframes are pending the report on feasibility. Part of this process will involve establishing diamond drilling platforms from underground to enable the estimation of Mineral Resources defined in accordance with the 2012 JORC Code and allow a life of mine schedule and mine design to be completed.

Bluebird has also recently appointed personnel into two key positions.

Mr Joseph Lee has been selected as the President of the Joint Venture company. Joseph has spent the last five years in the Korean mining sector managing relations with government, corporate and community stakeholders for Southern Gold Korea and its predecessor companies.

Graeme Fulton, who joined Bluebird in April 2017, has been appointed as General Manager – Gubong Project. Graeme has been involved in the mining industry for more than thirty years including as a Mining Engineer and General Manager having worked in New Zealand, Canada, Malaysia, Papua New Guinea, Vietnam, South Africa and Australia. He has expertise in geological modelling and evaluation, resource and reserve definition, mine design and scheduling, feasibility studies and due diligence. Graeme is a Fellow of the Australian Institute of Mining and Metallurgy.

Southern Gold Limited: Company Profile

Southern Gold Ltd is a successful gold explorer and producer listed on the Australian Securities Exchange (under ASX ticker "SAU"). At the Cannon project near Kalgoorlie we are currently developing a small underground operation where Northern Star Resources Ltd holds a five year right-to-mine. Southern Gold is also looking to develop a much larger mine, Gubong, in South Korea within the next 12-18 months with development partner London-listed Bluebird Merchant Ventures.

We are also active explorers. Around Kalgoorlie Southern Gold is testing projects such as Glandore, Transfind Extended and Cowarna looking for additional small high-grade open pit-able gold resources to maintain cash flow. In South Korea, Southern Gold also owns a portfolio of high-grade gold projects that are a combination of decommissioned gold mines with orogenic gold mineralisation and greenfield epithermal gold-silver targets. Backed by a first-class technical team, including renowned geologist Douglas Kirwin, Southern Gold's aim is to find world-class epithermal gold deposits.

In essence, Southern Gold looks to monetise the small gold deposits while we search for the bigger ones.

Forward-looking statements

Some statements in this release regarding estimates or future events are forward looking statements. These may include, without limitation:

- *Estimates of future cash flows, the sensitivity of cash flows to metal prices and foreign exchange rate movements;*
- *Estimates of future metal production; and*
- *Estimates of the resource base and statements regarding future exploration results.*

Such forward looking statements are based on a number of estimates and assumptions made by the Company and its consultants in light of experience, current conditions and expectations of future developments which the Company believes are appropriate in the current circumstances. Such statements are expressed in good faith and believed to have a reasonable basis. However, the estimates are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from estimated results.

All reasonable efforts have been made to provide accurate information, but the Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this presentation, except as may be required under applicable laws. Recipients should make their own enquiries in relation to any investment decisions from a licensed investment advisor.